

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Southern California Edison
Company (U338E) for Approval of
Contracts Resulting From Its 2014 Energy
Storage Request for Offers (ES RFO).

Application 15-12-003
(Filed December 1, 2015)

And Related Matter.

Application 15-12-004

**REPLY COMMENTS OF THE
OFFICE OF RATEPAYER ADVOCATES
ON PROPOSED DECISION**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Office of Ratepayer Advocates hereby submits these reply comments on the *Proposed Decision Approving Energy Storage Agreements and Providing Guidance on Calculating Above-Market Costs for Storage* (Proposed Decision) issued July 20, 2016 in the consolidated Applications (A.) 15-12-003¹ and A.15-12-004.²

ORA supports the Proposed Decision's findings that Pacific Gas and Electric Company's (PG&E) PSAs are neither cost-effective nor capable of meeting the reliability needs facing the Old Kearney and Mendocino substations. ORA recommends that the Commission reject PG&E's request to modify the Proposed Decision to reconsider the PSAs.

II. DISCUSSION

In comments to the Proposed Decision, PG&E requests that the Commission reconsider the PSAs and remove the conclusion that PG&E's proposed PSA projects fail to guarantee necessary capacity to allow for distribution investment deferral based on their online dates and capacity.³ The Commission should reject PG&E's requests because the Proposed Decision's findings are consistent with the record and thus, should not be altered.

¹ A.15-12-003, Application of Southern California Edison (U338E) for Approval of Contracts Resulting From Its 2014 Energy Storage Request for Offers, filed December 1, 2015.

² A.15-12-004, Application of Pacific Gas and Electric Company for Approval of Agreements Resulting from its 2014-2015 Energy Storage Solicitation and Related Cost Recovery, filed December 1, 2015.

³ Pacific Gas And Electric Company's Comments On The Proposed Decision (PG&E Comments on PD), p. 3.

PG&E had ample opportunity to dispute ORA's analysis and provide its own reliability justifications supporting the PSAs, as provided for by the Scoping Memo.⁴ Yet, only now does PG&E attempt to address the record's reliability evidence. PG&E's comments provide an incomplete assessment of the reliability issues addressed in this proceeding. Given the cost of the PSAs and the timing and size of the Old Kearney and Mendocino substation reliability needs, the Proposed Decision properly concludes that the PSAs should be denied because they are neither cost-effective nor resolve the reliability needs they were intended to address.⁵

As discussed in the Proposed Decision, the record clearly demonstrates that the PSAs "may not serve their identified distribution deferral function."⁶ ORA also demonstrated that the requested traditional upgrades in PG&E's 2017 GRC Application are better suited to address the immediate capacity and general system needs at and around the Mendocino and Old Kearney substations.⁷ Although PG&E states that the planned traditional upgrades will come-online after the summer of 2017,⁸ the record fails to reflect this. In its request for funding for capital improvements, PG&E recorded a May 2017 online date for its planned transformer upgrade at the Mendocino substation in its 2017 General Rate Case (GRC), stating it will be operational during the summer of

⁴ "5. Do the contracts promote safe and reliable operation and maintenance of the energy storage systems?" *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, issued March 25, 2016, p. 3.

⁵ "[G]iven that the proposed purchase and sale agreements are not cost-effective, and also fail to guarantee necessary transformer capacity to allow for distribution investment deferral based on their online dates, we find that these agreements should not be approved." Proposed Decision, p. 13.

⁶ Proposed Decision, p. 13.

⁷ ORA Opening Brief, pp. 15-28; See A.15-09-001.

⁸ "Among other things, Exhibit ORA-2C contains information regarding the estimates PG&E used of when the traditional transformer projects will be operational if the PSA projects do not move forward. All of the dates fall after the summer of 2017, and before the summer of 2018." PG&E Comments on PD, fn 16, p. 4.

2017.⁹ Therefore, PG&E's assertion that "[t]here is no difference from a reliability perspective between the forecasted installation dates of the traditional transformer upgrades versus the PSA projects, since both the Mendocino and Old Kearney substations are summer peaking," is incorrect.¹⁰

Even if the Old Kearney and Mendocino substation traditional upgrades were to occur after the summer of 2017, PG&E failed to demonstrate that the PSAs are capable of meeting the forecasted overloads at each substation despite its repeated concession that the substations are currently experiencing overloads¹¹ and that it requested funding in its 2017 GRC to address these issues.¹² PG&E does not dispute that the traditional distribution upgrades are better solutions to the immediate capacity needs at the Old Kearney and Mendocino substations.¹³ Nor did PG&E attempt to disprove that the Old Kearney distribution transformer banks will be overloaded in 2019 even with the PSAs.¹⁴ Rather, PG&E concedes that traditional upgrades in this instance are better resources to meet reliability needs¹⁵ and that it did not apply a "standard of whether these storage

⁹ Despite what was provided to ORA as reflected in ORA-2C, PG&E requested a bank replacement for the Mendocino Substation that would be installed in May 2017. See Exhibit PG&E-4, Workpapers, p. 13-4, line 54, in A.15-09-001.

¹⁰ PG&E Comments on the PD, p. 5.

¹¹ "Based on forecasts presented in this proceeding, the ~~The~~ transformers at the Mendocino and Old Kearney substations may will become overloaded by relatively small amounts prior to the commercial operation date of the proposed PG&E purchase and sale agreements." PG&E Comments, Appendix A, Findings of Fact 4, p. A-1.

¹² PG&E Comments on PD, p. 4; ORA Opening Brief, p. 15.

¹³ "PG&E is not proposing these storage projects because they are the best solution to the immediate capacity needs at the Old Kearney and Mendocino substations." PG&E Reply Brief, p. 7.

¹⁴ For example, "... evidence shows that the Old Kearney PSA may not sufficiently address forecasted overloads on the Old Kearney Sub's Bank 1 and Bank 3 . . . Even assuming the Old Kearney PSA discharged its entire 1 MW capacity, Bank 1 and Bank 3 still are overloaded at 101% of their total rated capacity." ORA Opening Brief, p. 27.

¹⁵ "PG&E agrees with ORA's basic point that the more traditional distribution upgrades would add more capacity, would not be constrained by discharge durations, would have a longer lifespan, and would come on line earlier." PG&E Reply Brief, p. 7.

projects are better, from a distribution system design perspective, than the more traditional substation upgrades.”¹⁶

Additionally, “moving forward with distribution deferral storage projects generally and the fact that these PSAs can be expected to enable PG&E to gain experience with using storage to support distribution deferral”¹⁷ are insufficient justifications for approving projects that are neither cost effective nor capable of resolving the reliability needs they intend to serve. PG&E states that it “entered into the PSAs because they are providing PG&E, at a relatively nominal cost, the best opportunities to gain experience with obtaining and using storage to provide distribution capacity services in a business-as-usual manner.”¹⁸ Learning experiences for specific use cases are not the purpose of the storage mandate—such objectives can and should be achieved through a demonstration or pilot project.¹⁹ Moreover, these PSAs use Lithium-ion battery technology, which is well represented across the storage RFOs.²⁰ Therefore, PG&E’s reasoning for reconsideration, that the PSAs provide potential learning experiences, is an insufficient justification for approving the PSAs.

III. CONCLUSION

For the reasons stated above, ORA respectfully requests that the Commission reject PG&E’s proposed modifications to the Proposed Decision related to the reconsideration of PG&E’s two PSAs.

¹⁶ PG&E Reply Brief, p. 8.

¹⁷ PG&E Comments on PD, pp. 5-6.

¹⁸ PG&E Comments on PD, p. 8.

¹⁹ See ORA Opening Brief, pp. 13-14.

²⁰ Application Of Pacific Gas And Electric Company For Approval Of Agreements Resulting From Its 2014-2015 Energy Storage Solicitation And Related Cost Recovery, p. 5.

A. Respectfully submitted,

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